HART RANCH CAMPING RESORT CLUB

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

LAMFERS & MAAS, LLP
CPAs & Business Advisors

[This page left blank intentionally]

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hart Ranch Camping Resort Club
Sioux Falls, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Hart Ranch Camping Resort Club (a South Dakota corporation), which comprise the balance sheet as of December 31, 2015 and the related statements of operations and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes examining the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

520 West 10th Street, Sioux Falls, SD 57104 • p (605) 332-8500 • f (605) 335-8585 • lamfersmaas.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hart Ranch Camping Resort, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2014 financial statements were reviewed by us, and our report thereon, dated March 20, 2015, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the Unites States of America.

Sioux Falls, South Dakota

February 5, 2016

HART RANCH CAMPING RESORT CLUB

BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

ASSETS	2015	2014 (Reviewed)
Current Assets		
Cash and cash equivalents	**$ 621,342**	$ 385,412
Accounts receivable, net of allowance for doubtful accounts of $0 and $0, respectively	**57,690**	66,742
Deferred income tax asset	**160,774**	132,165
Inventories	**37,449**	30,820
Prepaid expenses	**29,328**	29,499
Total current assets	**906,583**	644,638
Property and Equipment		
Land	**730,795**	730,795
Buildings and land improvements	**10,224,858**	10,146,701
Machinery and equipment	**435,479**	387,752
Furniture and fixtures	**1,071,249**	1,053,095
Construction in progress	**-**	12,387
Total property and equipment	**12,462,381**	12,330,730
Less accumulated depreciation	**(8,459,637)**	(8,079,361)
Net property and equipment	**4,002,744**	4,251,369
Other Assets		
Investments - capital reserve	**1,145,283**	1,245,241
Total other assets	**1,145,283**	1,245,241
Total Assets	**$ 6,054,610**	$ 6,141,248

LIABILITIES AND MEMBERS' EQUITY	2015	2014 (Reviewed)
Current Liabilities		
Accounts payable	**$ 35,460**	$ 54,630
Accrued liabilities	**117,023**	110,505
Deferred revenue	**975,699**	846,697
Current portion of long-term debt	**-**	5,348
Total current liabilities	**1,128,182**	1,017,180
Long-Term Liabilities		
Deferred income tax liability	**4,893**	9,953
Notes payable	**-**	5,348
Less current portion of long-term debt	**-**	(5,348)
Total long-term liabilities	**4,893**	9,953
Total Liabilities	**1,133,075**	1,027,133
Members' Equity		
Members' equity	**5,765,905**	5,765,905
Accumulated deficit	**(866,883)**	(673,985)
Accumulated other comprehensive income		
Unrealized gain on securities	**22,513**	22,195
Total members' equity	**4,921,535**	5,114,115
Total Liabilities and Members' Equity	**$ 6,054,610**	$ 6,141,248

HART RANCH CAMPING RESORT CLUB

STATEMENTS OF OPERATIONS
Years Ended December 31, 2015 and 2014

INCOME AND EXPENSES	**2015**	2014 (Reviewed)
Operating Revenue		
Membership dues, less discount of $44,736 and $44,817, respectively	**$ 1,046,314**	$ 1,029,096
Membership upgrade income	**39,350**	16,915
Daily rentals	**847,978**	776,581
Convenience store (net)	**38,662**	24,612
Maintenance and storage	**272,694**	255,870
Restaurant, net	**32,907**	36,381
Membership sales	**222,179**	254,553
Laundry machine	**15,824**	14,961
Other, net	**148,568**	136,207
Total operating revenue	**2,664,476**	2,545,176
Operating Expenses		
Wages, related taxes and employee benefits	**992,830**	979,757
Depreciation	**380,276**	439,706
Utilities and telephone	**479,293**	443,691
Repairs and maintenance	**224,232**	134,925
Property tax and licenses	**105,031**	93,496
Supplies	**203,976**	191,696
Insurance	**120,878**	113,668
Marketing and advertising	**106,968**	123,256
Miscellaneous	**693**	7,313
Bad debt expense	**-**	190
Bank and credit card fees	**52,168**	49,399
Postage and freight	**17,599**	14,944
Automobile	**16,971**	23,045
Activities and entertainment	**19,373**	24,910
Travel and meetings	**23,826**	31,274
Newsletter	**4,770**	-
Dues and memberships	**4,357**	6,440
Professional fees	**106,653**	129,376
Equipment rental	**24,435**	24,495
Computer services	**12,836**	6,857
Pre-owned membership share	**8,788**	33,571
Charitable donations	**2,120**	5,018
Total operating expenses	**2,908,073**	2,877,027
Operating Loss	**(243,597)**	(331,851)

HART RANCH CAMPING RESORT CLUB

STATEMENTS OF OPERATIONS (Continued)
Years Ended December 31, 2015 and 2014

	2015	2014 (Reviewed)
Other Income (Expense)		
Gain from sale of assets	-	15,800
Interest and dividend income	**17,030**	16,069
Total other income (expense)	**17,030**	31,869
Loss before income taxes	**(226,567)**	(299,982)
Provision (benefit) for income taxes	**(33,669)**	(29,246)
Net loss	**$ (192,898)**	$ (270,736)
Other comprehensive income, net of tax		
Unrealized holding gain (loss) arising during the period	**318**	1,823
Income tax expense related to items of Other Comprehensive Income	-	-
Other Comprehensive Income	**318**	1,823
Total Comprehensive Loss	**$ (192,580)**	$ (268,913)

HART RANCH CAMPING RESORT CLUB

STATEMENTS OF RETAINED EARNINGS
Years Ended December 31, 2015 and 2014

		2015		2014 (Reviewed)
Accumulated deficit - beginning of year	**$**	**(673,985)**	$	(403,249)
Net Loss		**(192,898)**		(270,736)
Accumulated deficit - end of year	**$**	**(866,883)**	$	(673,985)

HART RANCH CAMPING RESORT CLUB

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014 (Reviewed)
Cash Flows From Operating Activities		
Net loss	**$ (192,898)**	$ (270,736)
Adjustments to reconcile net loss		
to net cash provided by operating activities:		
Depreciation	**380,276**	439,706
(Gain) loss on disposal of assets	**-**	(15,800)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	**9,052**	(37,611)
(Increase) decrease in deferred income tax asset	**(28,609)**	(38,533)
(Increase) decrease in inventories	**(6,629)**	11,343
(Increase) decrease in prepaid expenses	**171**	(3,974)
(Decrease) increase in accounts payable	**(19,170)**	26,106
(Decrease) increase in accrued liabilities	**6,518**	784
(Decrease) increase in deferred revenue	**129,002**	290,847
(Decrease) increase in deferred income tax liability	**(5,060)**	9,288
Net cash provided by operating activities	**272,653**	411,420
Cash Flows From Investing Activities		
Purchase of property and equipment	**(131,651)**	(284,463)
Proceeds from sale of property and equipment	**-**	15,800
Net decrease (increase) of investments	**100,276**	(215,090)
Net cash used in investing activities	**(31,375)**	(483,753)
Cash Flows From Financing Activities		
Principal payments of long-term borrowings	**(5,348)**	(5,347)
Net cash used in financing activities	**(5,348)**	(5,347)
Increase (decrease) in cash	**235,930**	(77,680)
Cash		
Beginning	**385,412**	463,092
Ending	**$ 621,342**	$ 385,412

Supplemental Schedule of Non-cash Investing and Financing Activities	**2015**	2014
Unrealized holding gain (loss) on investments	**$ 318**	$ 1,823
Property purchases included in accounts payable	**-**	$ 12,921

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Hart Ranch Camping Resort Club (the Resort) is organized as a South Dakota not-for-profit corporation that owns and operates a recreational vehicle camping resort located near Rapid City, South Dakota for the benefit of its members, who are the owners of the Resort.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Resort considers highly liquid debt instruments with original maturities of three months or less as cash. However, some of these instruments have been segregated for purposes of long-range planning and are included in other assets.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on the straight line method in an amount which will amortize the cost of the assets over the period of their estimated useful lives. The estimated useful lives for depreciation purposes are:

Land Improvements	15 years
Furniture, fixtures, & equipment	5 - 7 years
Vehicles	5 years
Buildings	15 – 40 years

For federal income tax purposes, depreciation is computed using the accelerated cost recovery system and the modified accelerated cost recovery system.

The cost of assets sold or otherwise disposed of, and the accumulated depreciation thereon, are eliminated from the accounts and the resulting gain or loss is reflected in income, except on gains on assets traded where no cash is received. Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments that extend useful lives are capitalized.

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Revenue Recognition

Membership dues are assessed annually. Early payment discounts of five percent are allowed to members paying their annual dues prior to December 31. Early payments are recorded as deferred income and revenues are recognized throughout the year on a monthly basis.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the statement of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at December 31, 2015 and 2014 was $0 and $0, respectively.

All accounts receivable are from members of the Resort and include past due amounts as well as amounts due from members who pay dues on a monthly basis, or have an installment agreement for their membership purchase. Any member delinquent more than 60 days is suspended and unable to receive member benefits until such time as their account is brought current.

Presentation of Sales Taxes

The State of South Dakota imposes a sales tax on all of the Company's sales to non-exempt customers. The Company collects that sales tax from customers and remits the entire amount to the State. The Company's accounting policy is to exclude the tax collected and remitted to the State from revenue and cost of sales.

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are valued at the lower of cost (first in, first out) or market.

Investments

Investments include U.S. government and corporate debt securities and are classified as available-for-sale in accordance with FASB ASC 320-10. The Investments are recorded at estimated fair value based on market quotes.

Unrealized gains and losses arising during the period are recorded as a separate component of members' equity. The cost of investments sold is based on the specific identification method. At December 31, 2015 and 2014, unrealized holding gains/(losses) on the Resort's investments totaled $22,513 and $22,195 respectively.

Long-term certificates of deposit are also included in investments. The fair value of these investments approximates cost at December 31, 2015 and 2014.

Deferred Income Taxes

Deferred income taxes are provided for temporary differences between financial statement income and tax return income under the provisions of FASB ASC 740-10, which requires deferred income taxes to be computed on the liability method and deferred tax assets are recognized only when realization is certain. The principal temporary differences arise from the use of straight-line depreciation for book purposes and accelerated depreciation for tax purposes.

The effects of such differences are included annually on the statement of operations and on the balance sheet as an adjustment to deferred income taxes.

Fair Value of Financial Instruments

The carrying value of financial instruments including cash, accounts receivable, and accounts payable approximated fair value as of December 31, 2015 and 2014.

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising and Marketing Costs

The Company conducts non-direct response advertising. These costs are expensed as incurred. Advertising and marketing costs for the years ended December 31, 2015 and 2014 are $106,968 and $123,256, respectively.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events

Subsequent events have been evaluated through February 5, 2016, the date which the financial statements were available to be issued.

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS

Cost and fair values of assets measured on a recurring basis at December 31, 2015 and 2014 are as follows:

December 31, 2015	Cost	Fair Value	Quoted prices in active markets (level 1)	Other observable inputs (level 2)
Certificates of Deposit	$616,721	$616,721	-	$616,721
Fixed Income - Bonds	119,430	131,572	131,572	-
Money Market Funds	396,990	396,990	396,990	-
Total	$1,133,141	$1,145,283	$528,562	$616,721
December 31, 2014				
Certificates of Deposit	$608,083	608,083	-	608,083
Fixed Income – Bonds	117,436	132,230	132,230	-
Money Market Funds	504,928	504,928	504,928	-
Total	$1,230,447	$1,245,241	$637,158	$608,083

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS (CONTINUED)

The fair value of money market and fixed income securities is determined by reference to quoted market prices (Level 1). The fair value of certificates of deposit are determined to reference to similar assets that are directly or indirectly observable in the market place (Level 2).

Net long term gains from sales of available for sale securities in 2015 and 2014 amount to $0 and $0, respectively.

The Resort has segregated certain membership revenues for purposes of long range planning. These monies are considered restricted and are not a part of operating assets.

3. LONG TERM DEBT

As of the balance sheet date, long-term debt is comprised of the following:

Description	2015	2014
Note payable – Kubota Credit Corporation Annual payments of $5,348 Due February 2015	$ -	$ 5,348

4. INCOME TAXES

Hart Ranch Camping Resort Club reports income on the accrual method for financial statement purposes and for income tax reporting. For federal tax purposes, Hart Ranch Camping Resort Club is organized as a taxable corporation. Income taxes are provided at the applicable rates on income for financial reporting purposes.

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2012-2015. In evaluating the Company's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

4. INCOME TAXES (CONTINUED)

Deferred income taxes result from the difference between expenses for financial accounting and expenses for tax purposes. The deferred tax asset arises from a loss carry forward of $1,071,828 from the 2010 through 2015 tax returns. Loss carry forwards are available for 20 years after they are incurred. The deferred tax liability arises from differences between depreciation for financial statement purposes and federal income tax purposes.

The components of provision for income taxes include:

	2015	2014
Currently payable/(receivable) – Federal	$ -	$ -
Estimates paid in during the year	-	-
Net change in deferred taxes	(33,669)	(29,246)
Total provision (benefit) for income taxes	$ (33,669)	$ (29,246)

5. EMPLOYEE BENEFITS

The Resort maintains a SIMPLE IRA plan for full-time employees. The Resort matches employee contributions up to 3 percent of compensation for the year. The total contribution for the years ending December 31, 2015 and 2014 was $12,845 and $10,364, respectively.

The Resort maintains a health insurance plan for employees in which eligible employees contribute a portion of the premiums and the Resort contributes the remainder. For the years ended December 31, 2015 and 2014, the Resort contributed $58,320 and $49,973, respectively.

6. CONCENTRATION OF CREDIT RISK

The Resort maintains its cash balances in banks located within the same geographic region. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000 in 2015 and 2014. The investment accounts are insured by the security investor protection corporation up to $500,000 in 2015 and 2014. At December 31, 2015 and 2014, the Resort's uninsured cash balances totaled $286,441 and $73,107, respectively.

[This page left blank intentionally]